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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

To Whom It May Concern:

Memphis Area Community Reinvestment Organization (MACRO) is a membership organization of community development corporations and other local non-profits. Our goals are to increase the level of lending and investment in under-served communities in the Memphis area and to help our member organizations in their community development efforts. We are pleased to have this opportunity to comment on potential changes to the Community Reinvestment Act (CRA).

MACRO's comments on specific aspects of the CRA follow later in this letter. Our most urgent request, however, is that **CRA be updated and broadened to make all lenders accountable to the communities in which they operate.** The financial services industry has become increasingly complex due to financial industry deregulation and many industry mergers and acquisitions, among other factors. While examining banks is still of paramount importance, consumers are increasingly turning to non-regulated financial institutions – such as out-of-town mortgage companies, finance companies, sub-prime lenders, and others – to meet their loan needs. For example, a recent lending study conducted by MACRO found that between 1996 and 1998:

- Our five largest banks saw their market share of mortgage loan products fall from 33.6 percent to 28 percent;
- The percentage of mortgage loans made by out-of-town mortgage companies nearly doubled, from 17 percent to 33.5 percent;
- And, significantly, finance companies' market share increased from 1.8 percent to 12 percent.

Lack of scrutiny of non-bank lenders has led to a dramatic increase in predatory lending and other problems. With the entry of even more institutions (e.g. insurance companies and securities firms) into the business of lending, MACRO believes this broadening of CRA is critically important. **At the very least, all lending and banking activities of banks' non-depository affiliates must be included on CRA exams, so their true performance in a community can be adequately assessed.**

Other changes to CRA that MACRO supports and requests:

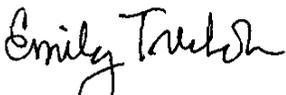
- The Federal Reserve Board's proposed HMDA reform should be enacted to include information on interest rates and fees. This will help examiners detect sub-prime activity in CRA exams and also will help organizations like MACRO in its efforts to accurately measure lending trends in local communities.
- CRA small business data should include information on the race, gender, and specific revenue size of the borrower and the specific census tract location of the business.
- The recent change to the "Interagency Question and Answer" document stating that lenders will be penalized for making loans that violate anti-predatory statutes should become part of the CRA regulation.
- The CRA exam should include an incentive to increase banks' prime lending, as too many credit-worthy borrowers receive over-priced and discriminatory sub-prime loans.
- Scoring of CRA exams should convert from the current systems (categories of Outstanding, Satisfactory, and Needs to Improve) to a 100-point system with a score of 75 needed to pass. This would result in a much more definitive review of bank performance.
- Loan originations should receive more weight in the lending test than purchase loans, since they are more difficult to make and better reflect a banks' true lending record in the community.
- While innovative programs are important and should be credited, quantitative criteria must continue to be emphasized in the CRA exam.

MACRO believes our suggestions for updating the CRA regulation will produce exams that are rigorous, performance-based, and more consistent. They will also better capture the lending, investment, and service activity of an industry that is rapidly and continually changing.

We also urge the regulatory agencies to hold hearings around the country when they propose specific changes to the CRA regulation, so the voices of diverse communities can be heard.

Thanks for your consideration.

Cordially,



Emily Trenholm
MACRO Coordinator

cc: Claude Becker, Community Affairs Liaison – Chicago office